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1948

THE BALDWIN LOCOMOTIVE WORKS

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38th Annual Report

**THE BALDWIN
LOCOMOTIVE
WORKS**
PHILADELPHIA 42, PA.

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EDDYSTONE DIVISION
STANDARD STEEL WORKS DIVISION
THE PELTON WATER WHEEL COMPANY
THE WHITCOMB LOCOMOTIVE COMPANY
BALDWIN LOCOMOTIVE SALES CORPORATION
BALDWIN LOCOMOTIVE WORKS OF CANADA, LTD.
BALDWIN LOCOMOTIVES INTERNATIONAL, INC.

December 31, 1948

THE BALDWIN LOCOMOTIVE WORKS

Incorporated under the Laws of the Commonwealth of Pennsylvania

GENERAL OFFICES AT BALDWIN, EDDYSTONE, PENNSYLVANIA

DIRECTORS

ARNOLD BERNHARD	New York, N. Y.
FRANCIS BRADLEY	Philadelphia, Pa.
CHARLES E. BRINLEY	Chestnut Hill, Pa.
JOSEPH N. EWING	Valley Forge, Pa.
EDWARD HOPKINSON, JR.	Chestnut Hill, Pa.
RALPH KELLY	Philadelphia, Pa.
WM. CLARKE MASON	Chestnut Hill, Pa.
LEWIS W. METZGER	Philadelphia, Pa.
RICHARD T. NALLE	Philadelphia, Pa.
CARLOS F. NOYES	Swarthmore, Pa.
L. E. OSBORNE	Pittsburgh, Pa.
JEROME PRESTON	Boston, Mass.
GWILYM A. PRICE	Pittsburgh, Pa.
A. W. ROBERTSON	Pittsburgh, Pa.
ROBERT C. SHIELDS	Detroit, Mich.
JAMES M. SKINNER	Philadelphia, Pa.
MARVIN W. SMITH	Philadelphia, Pa.
PHILIP C. STAPLES	Ardmore, Pa.

EXECUTIVE COMMITTEE

EDWARD HOPKINSON, JR., Chairman

ARNOLD BERNHARD	CARLOS F. NOYES
CHARLES E. BRINLEY	GWILYM A. PRICE
JOSEPH N. EWING	ROBERT C. SHIELDS
RICHARD T. NALLE	MARVIN W. SMITH

OFFICERS

CHARLES E. BRINLEY	Chairman of the Board
RALPH KELLY	President (on leave of absence)
MARVIN W. SMITH	Executive Vice-President and Chief Executive Officer
LEWIS W. METZGER	Vice-President
CHARLES E. ACKER	Vice-President—Corporate and Financial, and Secretary
ROBERT F. DOOLITTLE	Vice-President—Legal Department
JAMES R. WEAVER	Vice-President in Charge of Manufacturing— Eddystone Division
JOHN S. NEWTON	Vice-President in Charge of Engineering— Eddystone Division
R. NEVIN WATT	Vice-President in Charge of Sales— Eddystone Division
JOHN D. TYSON	Divisional Vice-President—Standard Steel Works Division
ROLAND C. DISNEY	Vice-President and General Manager— The Whitcomb Locomotive Company
WILLIAM F. BOYLE	Vice-President and General Manager— The Pelton Water Wheel Company
HOWARD D. HUMPHREYS	Treasurer and Assistant Secretary
W. RAYMOND PARSHALL	Comptroller
CHARLES A. CAMPBELL	Assistant Vice-President—Export Sales
RAYMOND B. CREAN	Assistant Vice-President—Production— Eddystone Division

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

TRANSFER AGENTS

Preferred Stock, 7% Cumulative, \$30 Par Value

IN PHILADELPHIA:

The Philadelphia National Bank

1416 Chestnut Street

IN NEW YORK:

J. P. Morgan & Co. Incorporated, 23 Wall Street

Common Stock, \$13 Par Value

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company

135 South Broad Street

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

REGISTRARS

Preferred Stock, 7% Cumulative, \$30 Par Value

Common Stock, \$13 Par Value

IN PHILADELPHIA:

The Pennsylvania Company for Banking and Trusts

15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York

140 Broadway

To The Shareholders:

The most important and significant event in the Company year was the purchase by Westinghouse Electric Corporation of 500,000 shares of authorized but previously unissued Baldwin common stock at a price of \$15.11 per share, which was the average closing price of the stock on the New York Stock Exchange, July 1 to July 28, 1948, the period immediately preceding the agreement of purchase.

Baldwin had for some time realized the rapidly growing importance of a closer association with a strong electrical manufacturer, particularly with regard to the development and construction of the diesel electric locomotive. Westinghouse, our principal supplier of electrical equipment, was also convinced of the value of closer cooperation, and a series of conversations with Westinghouse officers finally resulted in an agreement covering the purchase and sale of Baldwin common stock as described in the preceding paragraph.

The agreement was approved by the Board of Directors of each company on July 29, 1948, and thereafter a joint statement by Gwilym A. Price, President of Westinghouse and Charles E. Brinley, Chairman of the Baldwin Board, was issued as follows:

"For many years Westinghouse and Baldwin have collaborated closely in the development and design of various types of railroad locomotives. The acquisition by Westinghouse of a substantial but minority common stock interest in Baldwin is a natural step which should materially benefit both companies through the strengthening of the cooperation which has existed in the past. It will now be possible to take full advantage of the experience, know-how and plant facilities of both companies which will place 'Baldwin-Westinghouse' in a favorable position to meet the competition of other manufacturers."

Baldwin will benefit in a number of ways. As the result of the sale of its stock, your Company has acquired something over \$7,500,000 of added working capital. A strong interest has been

created at Westinghouse to provide Baldwin with electrical equipment of suitable character at such times as may be necessary to satisfy Baldwin's production schedules, and, last but not least, Baldwin has acquired the full-time services of three of Westinghouse's most able and experienced men to fortify and strengthen its management staff in the capacities of senior company officers.

OPERATION AND PRODUCTION

During the year 1948 your Company made substantial progress as a supplier of the many types of machinery and equipment which Baldwin offers to its customers.

Total net sales for the year were \$126,434,845, compared with \$94,884,746 in 1947, an increase of 33%.

Earnings from operations showed a marked increase. Consolidated profit before dividends received and provision for income taxes was \$4,445,304, compared with \$1,723,960 in 1947.

About 70% of net sales were of locomotives and locomotive parts, steam and diesel, and about 75% of all locomotive sales were of the diesel type.

Total unfilled orders for the consolidated Company on December 31, 1948, were \$109,268,072, compared with \$118,528,012 on January 1, 1948.

Advances were made in the development and construction of diesel electric locomotives, the most important single item in the Company's manufacturing program. Though there is still much to be done before Baldwin can be satisfied with its competitive position in this particular branch of railway motive power, nevertheless, improvements have been developed and made effective as the result of experience and engineering study, and costs have been reduced. Sales of diesel electric locomotives during 1948 amounted to \$59,178,228, more than double the sales of the previous year.

Production and sales of steam locomotives continued in moderate volume, the majority of these being for foreign shipment.

During the year orders for 291 steam locomotives were re-

ceived and 150 were shipped. Orders for 385* diesel electric units were received and 417* were shipped. Unfilled orders for both types of locomotives provide a substantial backlog for the year 1949.

Operations in other departments continued in general along familiar lines. Nevertheless, some items of unusual interest should be noted.

During the year the 42-foot vertical boring mill, mentioned in last year's report, was completed and put into 24-hour service. This machine is of great importance in its effect upon the quality of workmanship, cost and time required for completion of large hydraulic turbines. Your Company is one of the principal suppliers of these important components of the hydro-electric machines which transform hydraulic power into electrical energy and as of the first of the year had upon its books almost twelve million dollars of backlog on account of such turbines yet to be completed and delivered. A fully equipped hydraulic laboratory where scale models are tested under conditions of actual service has contributed much to Baldwin's success in this field.

At Standard Steel Works, our division located at Burnham, Pa., good progress was made in the production of "one wear" rolled steel wheels, for which an increasing demand has developed, and which it was necessary that Standard produce in order that we maintain our position as a principal manufacturer of steel wheels for railway locomotives and cars. These "one wear" wheels are for use on railway freight cars and compete with chilled cast iron wheels offered for the same purpose. In order to make it possible to turn out this new product at a profit it was necessary to provide the very best equipment for economical manufacture. The large rotary furnace installed toward the end of 1947, but first operated on a full-time basis in 1948, has proved an excellent investment and provides an uninterrupted process for heating the required steel ingots to the necessary temperature and thereafter an automatic delivery of each ingot to the press on which the first operation is performed. This installation is said to be the best of its kind and the results

* Exclusive of The Whitcomb Locomotive Company.

which have thus far been obtained are satisfactory. The dollar value of domestic business taken by Standard Division in 1948 was more than double that taken in any other peacetime year.

In a previous report note was made of good progress in the field of testing equipment, of which your Company is a major producer. During 1948 this business was improved and expanded. In September the United States Navy demonstrated to a number of invited guests a 5,000,000-pound Universal Testing Machine built by Baldwin and installed at the Philadelphia Navy Yard. This machine stands 47 feet above the floor and extends 16 feet below it and weighs about 350 tons. This was the first of two testing machines of this capacity delivered by Baldwin during the year. Contrast these giants with Baldwin's little SR-4 strain gauge which is no bigger than an average safety pin, and one acquires some realization of the range in size and variety of the testing apparatus which your Company offers.

Another Baldwin product of interest is manganese bronze ship propellers, sales of which amounted to more than \$2,000,000 in 1948. Of particular note is your Company's development of a design of propeller for Liberty Ships to prevent propeller shaft failures. This new design was immediately successful and is to some extent responsible for the satisfactory business which is now being received.

Looking toward the future your Company is working on a new development in the design and construction of a coal-burning steam locomotive which is expected to be about twice as efficient as the conventional reciprocating engine of today. This locomotive will be of the turbo-electric type but will have an improved boiler and fire box supplying steam at higher temperatures and pressures. Both Westinghouse and Babcock & Wilcox Company are working closely with Baldwin on this development. If this venture is successful, it is believed that the new locomotive should be of great interest to the railroads which are particularly concerned with the transportation and use of coal.

* * * * *

The usual quota of college graduates from the technical schools was taken into the organization to receive the eighteen months' training course which the Company provides in order

to prepare these young men for useful work in our various departments.

The total number of employees in the Baldwin Group was on December 31, 1948, 11,765, compared with 10,924 on January 1, 1948.

Total compensation paid to all employees in 1948 was \$36,731,278 and the cost of materials and supplies purchased was \$77,560,847.

INDUSTRIAL RELATIONS AND PERSONNEL CHANGES

A continuing harmonious and satisfactory relationship between management and employees has been maintained throughout the year.

The two-year Union contract at Eddystone, which extends to July 1, 1949, provided for an automatic wage increase of 2½ cents per hour on July 1, 1948, and this increase became effective on that date. At Standard Steel Works Division, where a two-year Union contract is also in force, there was no provision for an increase in base rates and none was made. However, piece work rates, which are prevalent at Standard, provide an opportunity for employees to earn on a substantial and satisfactory basis.

The services which the Company offers for the health and convenience of its employees were continued. These include the cafeteria and canteen, the dispensary, where a new modern X-Ray equipment provides quick and accurate examination of cases which previously could be handled only outside the plant; group life and disability insurance, a considerable part of the premium of which is paid by the Company, and the magazine published quarterly for the employees to which they themselves are contributors.

* * * * *

On July 29th, Marvin W. Smith, formerly Vice-President in Charge of Engineering at Westinghouse, was elected Executive Vice-President and became Baldwin's chief executive officer. This made it possible for Ralph Kelly, President, to exercise his own expressed desire to be relieved of executive responsibility and thus afforded greater freedom for personal and civic activities. Accordingly, the Board granted Mr. Kelly a leave of absence for the remainder of his term of office as President.

On September 23rd, James R. Weaver and John S. Newton were elected Vice-Presidents, in charge respectively of manufacturing and engineering at Eddystone. Baldwin's three new officers (Messrs. Smith, Weaver and Newton) were all active in important positions in the Westinghouse Electric Corporation before coming to Baldwin. All have entered upon their new duties competently and have already earned the respect and esteem of their associates.

Coincident with the election of Messrs. Weaver and Newton to their new positions, R. Nevin Watt, formerly Assistant Vice-President in Charge of Domestic Sales, was elected Vice-President in Charge of Sales — Eddystone Division.

In September, Roland C. Disney was elected Vice-President and General Manager of The Whitcomb Locomotive Company, replacing H. V. Huleguard, resigned.

Lewis W. Metzger, formerly Vice-President in Charge of Operations at Eddystone, continues a Baldwin Vice-President and has been appointed Executive Assistant to Executive Vice-President Smith. Mr. Metzger has also been elected Executive Vice-President of The Midvale Company and will devote much of his time to that Company's affairs.

On July 29, 1948, Marvin W. Smith was elected a director and a member of the Executive Committee. Messrs. A. W. Robertson, Gwilym A. Price and L. E. Osborne were elected directors of the Company on September 23, 1948. On October 28, 1948, Mr. Price was elected a member of the Executive Committee.

PLANT AND EQUIPMENT

No major changes were made in plant and equipment of the Baldwin Group in 1948. Nevertheless, a number of capitalized additions and improvements were completed, the total cost of which amounted to \$1,552,387, compared with a provision for depreciation of \$1,223,909.

A few of these improvements are of interest.

The decreasing demand for steam locomotives prompted certain shop rearrangements and permitted the transfer of machine tool equipment required for locomotive construction from the building known as the "Wheel and Box Shop" to the large machine shop immediately adjacent to the steam locomotive erecting floor. This not only improved the flow of steam locomotive operations but made available a building which now

houses the final inspection facilities for all diesel locomotives and, as well, affords storage space for a considerable stock of bar steel which was heretofore stored out of doors.

A new cupola furnace has been installed in the Iron Foundry.

New facilities for line production of diesel locomotives have been developed and installed in the diesel erecting shop.

Various new machine tools have been purchased for the several departments as standards of efficiency and increasing production indicated their need.

At The Whitcomb Locomotive Company a number of machine tools were required to improve and increase that subsidiary's output and these were obtained by a transfer of spares from the Eddystone Division. In a part of the Whitcomb plant sprinklers were installed to conform to insurance company requirements.

In all Baldwin divisions and subsidiaries repairs were made, adequate to keep the several plants in good working condition.

EARNINGS AND FINANCE

The consolidated results of the operations of Baldwin and its wholly owned subsidiaries for the years 1948 and 1947 are summarized below:

	1948	1947
Sales	\$126,434,845	\$94,884,746
Profit before provision for income and other taxes, depreciation and interest (including dividends received of \$762,437 in 1948 and \$864,664 in 1947)	8,449,413	5,351,020
Taxes on income and other taxes ..	4,000,567	2,472,607
Depreciation	1,223,909	1,180,882
Interest	57,196	3,907
Net profit for the year	3,167,741	1,693,624
Non-recurring credits		957,707
Amount transferred to surplus	3,167,741	2,651,331

After deducting preferred stock dividends of \$163,029, the net profit for 1948 was equivalent to \$1.26 per share on the 2,375,553 shares of common stock outstanding at the end of the year. This compares with \$1.33 per share transferred to surplus for 1947 on the 1,875,553 shares outstanding on December 31st of that year, which included a non-recurring credit of \$957,707.

Net current assets increased from \$30,683,367 on January 1, 1948, to \$38,654,497 at the end of the year. This increase is largely accounted for by the sale of 500,000 shares of common

stock to Westinghouse Electric Corporation as described at the beginning of this report.

Inventories decreased from \$38,512,789 at the beginning of the year to \$35,759,492 at the end of the year. About 70% of the closing inventory was represented by work in process on customers' sales orders. During the year inventories were checked by count or weight wherever possible and in other cases by physical inspection and estimate. In the opinion of the Company's officers, inventories are conservatively valued as of December 31, 1948, through provision of reserves considered adequate for obsolescence or other physical deficiency.

Two dividends of 50 cents per share were paid to Common Shareholders during the year, one on June 30th and one on December 28th.

The regular 7% dividend at the rate of \$2.10 per share amounting to \$163,029 was paid on the outstanding preferred stock. The total amount paid in dividends to our 20,529 Preferred and Common Shareholders was \$2,288,327.

Provision for taxes amounted to \$4,000,567, including Social Security Taxes, \$1,286,986, and Taxes on Income, \$2,040,000. Provision for all taxes was equal to \$1.68 per share of the Company's Common Stock outstanding on December 31, 1948.

The Midvale Company, a subsidiary of which Baldwin owned on December 31, 1948, 63.9% of the capital stock, paid dividends during the year amounting to \$1,048,949, of which Baldwin received \$670,994. Except for such dividends received by Baldwin, the figures in this report include none of the operations of The Midvale Company.

There are submitted herewith:

Consolidated Balance Sheet of The Baldwin Locomotive Works and Wholly Owned Subsidiaries, December 31, 1948 and 1947.

Consolidated Statement of Profit and Loss and Surplus for the Years ended December 31, 1948 and 1947.

Report of Auditors.

A copy of the Annual Report of The Midvale Company for the year 1948 is mailed with this report for further information as to the affairs of that company.

This report is submitted on behalf of the Board of Directors.

CHARLES E. BRINLEY,

Chairman of the Board.

March 10, 1949.

THE BALDWIN LOCOMOTIVE WORKS

Consolidated Balance Sheet,

ASSETS		
	1948	1947
Current Assets:		
Cash:		
General Funds	\$ 7,644,693	\$ 4,691,649
Employee Taxes and Bond Purchases	322,908	328,419
United States Government Securities (value at market quotations, 1948, \$7,060,391; 1947, \$61,406) (Note 1)	7,059,527	60,181
Receivable from United States Government with respect to Taxes and Renegotiation of War Contracts for Prior Years	268,807	74,807
Notes and Other Credit Instruments and Accounts Receivable Due within One Year (less reserve, 1948, \$103,593; 1947, \$131,924)	13,493,152	10,067,875
Inventories of Raw Materials, Supplies, Work in Process and Finished Products (less reserve, 1948, \$1,396,597; 1947, \$1,330,773) (Note 2) ..	35,759,492	38,512,789
<i>Total Current Assets</i>	<i>\$64,548,579</i>	<i>\$53,735,720</i>
Notes and Other Credit Instruments and Accounts Receivable Not Realizable within One Year (including past due foreign items, 1948 and 1947, \$977,423, and less reserve, 1948, \$988,377; 1947, \$986,045)	\$ 1,241,118	\$ 780,711
Investments:		
General Steel Castings Corporation Common Stock (147,800 shares at cost less reserve, 1948 and 1947, \$5,002,949)	\$ 141,001	\$ 141,001
The Midvale Company Stock (at cost less capital distribution) (Note 3)	1,433,307	1,433,307
Other Investments (less reserve, 1948 and 1947, \$13,636)	351,066	224,566
	<i>\$ 1,925,374</i>	<i>\$ 1,798,874</i>
Property, Plant and Equipment	\$64,347,018	\$63,623,413
Less Reserves for Depreciation and Amortization	37,451,634	36,944,389
	<i>\$26,895,384</i>	<i>\$26,679,024</i>
Deferred Charges	\$ 178,851	\$ 159,294
	<i>\$94,789,306</i>	<i>\$83,153,623</i>

See Notes on page 14, which insofar as pertain

AND WHOLLY OWNED SUBSIDIARIES

December 31, 1948 and 1947

LIABILITIES		
	1948	1947
Current Liabilities:		
Bank Loans Payable	—	\$ 2,750,000
Accounts Payable	\$10,907,504	11,039,868
Employee Taxes and Bond Purchases	322,908	328,419
Advances Received on Production Contracts in Process	8,933,592	4,815,732
Provision for Taxes on Income	3,345,967	1,953,370
Other Accrued Liabilities	2,384,111	2,164,964
<i>Total Current Liabilities</i>	<i>\$25,894,082</i>	<i>\$23,052,353</i>
Operating Reserves	\$ 992,510	\$ 757,970
General Reserve	267,775	267,775
	<i>\$ 1,260,285</i>	<i>\$ 1,025,745</i>
Capital Stock and Surplus:		
Preferred Stock, 7% Cumulative, \$30 Par (liquidating and call value \$40 per share):		
Authorized 125,251.2 Shares		
Issued 77,633 Shares	\$ 2,328,990	\$ 2,328,990
Common Stock, \$13 Par:		
Authorized 3,000,000 Shares		
Issued, 1948, 2,375,553 Shares; 1947, 1,875,553 Shares	30,882,189	24,382,189
	<i>\$33,211,179</i>	<i>\$26,711,179</i>
Less Treasury Common Stock (255 shares)	3,315	3,315
	<i>\$33,207,864</i>	<i>\$26,707,864</i>
Surplus per Annexed Statement, page 15:		
Capital Surplus	\$19,479,738	\$18,299,738
Earned Surplus	14,947,337	14,067,923
	<i>\$34,427,075</i>	<i>\$32,367,661</i>
<i>Total Capital Stock and Surplus</i>	<i>\$67,634,939</i>	<i>\$59,075,525</i>
	<i>\$94,789,306</i>	<i>\$83,153,623</i>

ent are an integral part of this balance sheet.

FINANCIAL STATEMENT NOTES

(1) Includes \$60,000 principal amount of United States Treasury bonds deposited to secure the payment in accordance with the Workmen's Compensation Law of Pennsylvania of compensation on account of accidents.

(2) Inventories of raw materials and bulk supplies are priced at the lower of average cost or replacement market. Miscellaneous materials and parts and sundry supplies (upon a first-in, first-out basis) and work in process and finished products (upon the basis of specific items) are priced at cost or less. About 70% of the inventory at December 31, 1948, was covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other physical deficiency.

(3) The investment in capital stock of The Midvale Company consists of 383,425 shares representing 63.9% of the 600,000 shares outstanding. The market quotation for this stock was \$14.125 per share on December 31, 1948, equivalent at said per share price, to \$5,415,878 for the shares owned by The Baldwin Locomotive Works. Baldwin's 63.9% equity in the total capital stock and surplus shown on the balance sheet of The Midvale Company amounted to \$11,332,316 as of December 31, 1948, and the equivalent proportion of the Midvale loss for the year 1948 was \$1,064,394. Dividends received by Baldwin from The Midvale Company during 1948 amounting to \$670,994 have been credited to profit and loss.

(4) Incentive compensation for officers and other key employees, 158 in all, has been provided in the amount of \$206,960 for the year 1948.

THE BALDWIN LOCOMOTIVE WORKS AND WHOLLY OWNED SUBSIDIARIES

Consolidated Statement of Profit and Loss and Surplus For the Years Ended December 31, 1948 and 1947

	1948	1947
Profit and Loss:		
Sales	\$126,434,845	\$94,884,746
Less:		
Cost of Sales, including Selling, Adminis- trative and General Expenses	\$120,988,105	\$92,251,673
Provision for Depreciation	1,223,909	1,180,882
	<u>\$122,212,014</u>	<u>\$93,432,555</u>
Operating Profit	\$ 4,222,831	\$ 1,452,191
Interest and Discount Income	199,629	248,314
Miscellaneous Income	93,599	45,672
	<u>\$ 4,516,059</u>	<u>\$ 1,746,177</u>
Deduct:		
Interest Expense	\$ 57,196	\$ 3,907
Miscellaneous Expenses	13,559	18,310
	<u>\$ 70,755</u>	<u>\$ 22,217</u>
	\$ 4,445,304	\$ 1,723,960
Dividends Received (includes \$670,994 in 1948 and \$766,850 in 1947 received from The Mid- vale Company)	762,437	864,664
Profit before Taxes on Income	\$ 5,207,741	\$ 2,588,624
Provision for Taxes on Income	2,040,000	895,000
Net Profit for the Year	\$ 3,167,741	\$ 1,693,624
Unrequired Provision for Renegotiation of War Contracts and Other Costs of Prior Years	—	957,707
Amount Transferred to Surplus	\$ 3,167,741	\$ 2,651,331
Earned Surplus:		
Balance, January 1	14,067,923	16,867,227
	<u>\$ 17,235,664</u>	<u>\$19,518,558</u>
Less:		
Dividends Paid:		
On Preferred Stock	\$ 163,029	\$ 163,029
On Common Stock	2,125,298	1,875,299
	<u>\$ 2,288,327</u>	<u>\$ 2,038,328</u>
Special Addition to Reserve for Depreciation	—	3,412,307
	<u>\$ 2,288,327</u>	<u>\$ 5,450,635</u>
Balance of Earned Surplus, December 31	<u>\$ 14,947,337</u>	<u>\$14,067,923</u>
Capital Surplus:		
Balance, January 1	\$ 18,299,738	\$18,299,738
Excess of Amount Received for 500,000 shares of Common Stock Sold to Westinghouse Elec- tric Corporation Over Par Value Thereof	1,055,000	—
Restoration of Previous Mark-down of Invest- ment	125,000	—
Balance of Capital Surplus, December 31	<u>\$ 19,479,738</u>	<u>\$18,299,738</u>
Total Surplus, December 31	<u>\$ 34,427,075</u>	<u>\$32,367,661</u>

See Notes on page 14, which insofar as pertinent are an integral part of this statement of profit and loss and surplus.

REPORT OF AUDITORS

To The Shareholders,

THE BALDWIN LOCOMOTIVE WORKS:

We have examined the consolidated balance sheet of The Baldwin Locomotive Works and its wholly owned subsidiaries as of December 31, 1948, and the related consolidated statement of profit and loss and surplus for the year 1948. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of profit and loss and surplus present fairly the consolidated financial position of The Baldwin Locomotive Works and its wholly owned subsidiaries at December 31, 1948, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTCOMERY

PHILADELPHIA, PENNA.

February 24, 1949.

THE BALDWIN LOCOMOTIVE WORKS

R. NEVIN WATT – Vice-President in Charge of Sales—
Eddystone Division

EDDYSTONE, PENNSYLVANIA

SALES OFFICES IN THE UNITED STATES

BOSTON 10, MASS.....	10 High Street
CHICAGO 4, ILL.....	627 Railway Exchange Building
CLEVELAND 13, OHIO.....	2507 Terminal Tower Building
HOUSTON 2, TEXAS.....	1817 Second National Bank Building
NEW YORK 5, N. Y.....	120 Broadway
PHILADELPHIA 3, PA.....	1154 Broad Street Station Building
PITTSBURGH 19, PA.....	489 Union Trust Building
SAN FRANCISCO 10, CALIF.....	2929 Nineteenth Street
SEATTLE 4, WASH.....	514 Hoge Building
ST. LOUIS 3, MO.....	520 Shell Building
WASHINGTON 5, D. C.....	616 Tower Building

CHARLES A. CAMPBELL – Assistant Vice-President—Export Sales
EDDYSTONE, PENNSYLVANIA

FOREIGN REPRESENTATIVES

ARGENTINA AND PARAGUAY	VIAMONTE 1570, BUENOS AIRES	Fiore Co., S. R. L.
AUSTRALIA	31 REIBY PLACE, SYDNEY, NEW SOUTH WALES 490 FLINDERS STREET, MELBOURNE, C. 1, VICTORIA	R. Towns & Co. Pty. Ltd. Newell & Co.
BOLIVIA	CASILLA DE CORREOS 648, LA PAZ	Palacios & Cia.
BRAZIL	EDIFICIO METROPOLE, AVENIDA PRESIDENTE WILSON, 165-3° ANDAR, RIO DE JANEIRO	Norton Megaw & Co., Ltd.
CANADA	15 ST. MARY STREET, TORONTO	Baldwin Locomotive Works of Canada, Ltd.
CHILE	CASILLA 86-D, SANTIAGO	Wessel, Duval & Cia., S. A. C.

FOREIGN REPRESENTATIVES—(Continued)

CHINA	P. O. Box 265, SHANGHAI.....	Andersen, Meyer & Co., Ltd.
COLOMBIA	APARTADO NACIONAL 139, MEDELLIN.....	C. E. Halaby & Co., Ltd.
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The illustration on the back cover shows a Baldwin 5,000,000-lb. Universal Testing Machine in the Aeronautical Structures Laboratory at the Philadelphia Navy Yard.



